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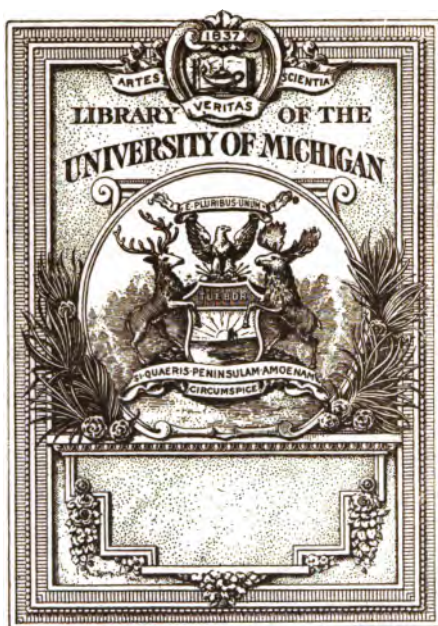
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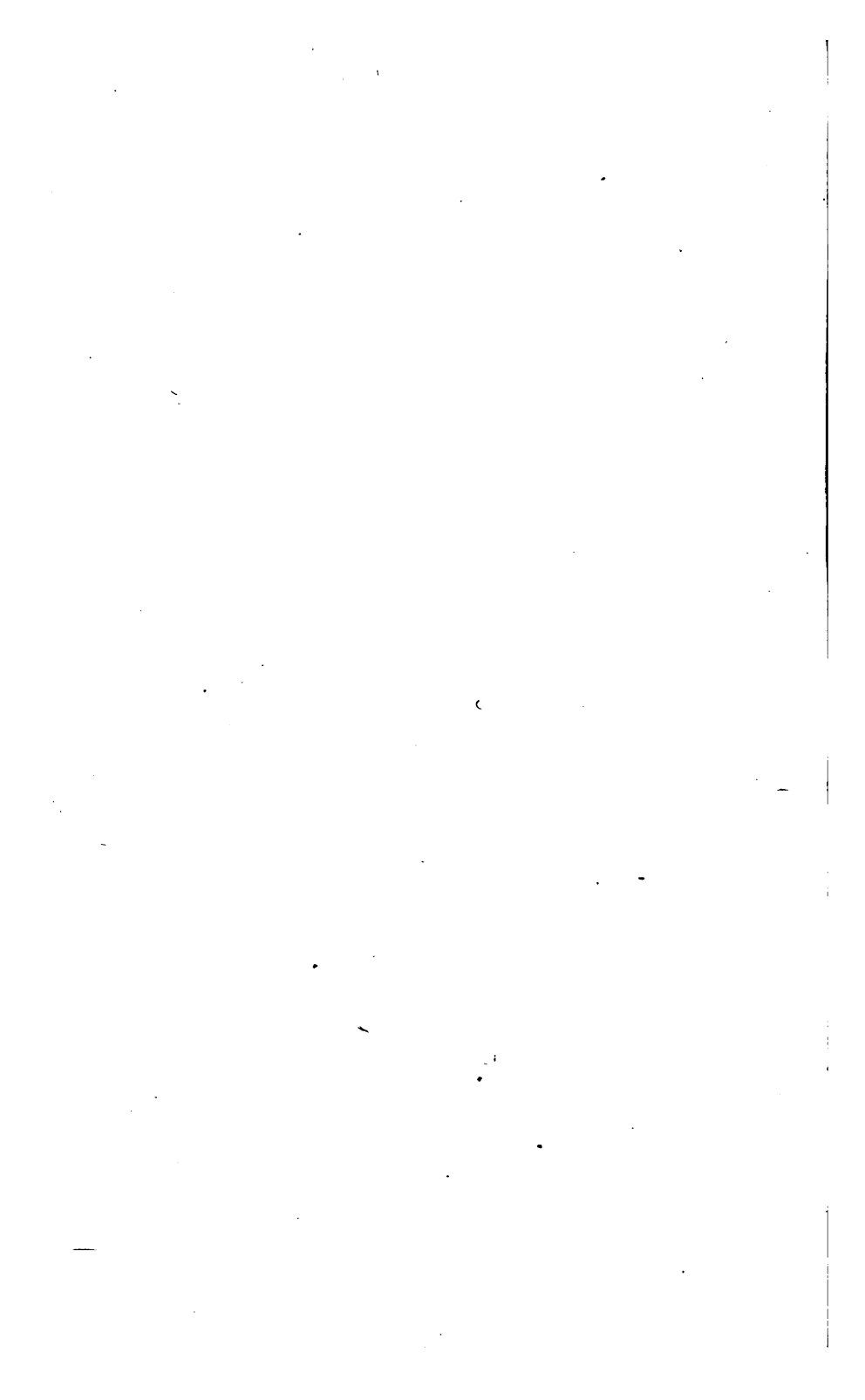
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AMERICAN MONEY

BY



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CHICAGO.

1889

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AMERICAN MONEY.

According to the most reliable data, the money of the United States on Nov. 1, 1888, consisted of

Gold coin and bullion	\$711,705,050
Silver dollars	309,750,890
Fractional silver coins	76,660,481
Minor coins, (about)	18,000,000
United States notes	346,681,016
National Bank notes	239,069,230
Total	<u>\$1,701,866,667</u>

The amount of the gold coin and bullion is derived from the report of the Director of the Mint for 1888 and is his approximate estimate. The amount of the other specie items are also derived from his report. The amount of the United States notes (greenbacks) is the same as fixed by law. The amount of National bank notes is taken from the report of the Comptroller of the Currency for 1888.

The amount of coin certificates outstanding on July 1, 1888, was according to the above report of the Director of the Mint,

Gold	\$142,023,150
Silver	229,491,772
Total	<u>\$371,514,922</u>

As these certificates are issued for coin deposited, the above items give an indication of the proportion of paper money to specie required to satisfy the demand for the two

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kinds of money. Adding together the items of coin certificates, national bank notes, and greenbacks, the result is,

Paper money	\$957,265,168
Specie.....	744,601,499
Total.....	\$1,701,866,667

The yearly coinage of silver dollars is about thirty-three millions. These, as fast as they can be put in circulation, appear in the form of silver certificates. The amount of national bank notes has been declining. The high price of bonds, the decreasing quantity, and the low rate of interest has put a blight on the national bank system. And unless other (good?) securities are found to supply the place of United States bonds, the national banks as issuers of paper money will cease in the near future upon the extinction of the interest bearing public debt, if not before.

The above figures show too many kinds of money. There are three kinds of legal tender: gold, silver dollars, and greenbacks. There are four kinds of paper money: greenbacks, national bank notes, silver certificates, and gold certificates. The present money system lacks simplicity. It will be shown hereafter that it also lacks honesty.

The national bank notes should be entirely withdrawn and all bank note issues prohibited. The coinage of silver dollars should be stopped, and as soon as practicable all the silver certificates should be withdrawn, and the silver dollars which they represent disposed of. About sixty millions are needed for change just as halves and quarters are. The gold dollar is too small for actual use, and one dollar bills fail to cover the case entirely. The paper money should be a fixed amount of United States notes, not less than six hundred and fifty millions. And the additional demand for paper money should be supplied by gold certificates. The export of gold during the fiscal year ending June 30, 1889, was \$59,952,285. The annual product in this country is about thirty-three millions of dollars; of which, about eleven millions are used in the industrial arts. These figures show that any additional amount of gold which might be required by the above changes in the currency could be easily obtained.

The fractional silver coins are redundant. According to the public debt statement July 1, 1889, there were in the treasury uncalled for, an excess to the amount of \$25,129,733. This excess has arisen from a speculation in trade dollars, which were put upon the government at a profit under a law providing for their recoinage into fractional silver coins.

The use of the minor coins (nickels and cents) and their amount is increasing.

The proposed amount of greenbacks is set quite low enough. If the amount of paper money is not above the legitimate demand for that kind of money, its payment is not sought after. This demand is not one for more money, but for a different kind. A certain amount of paper money is preferred to coin for use in current transactions and to pass continually from hand to hand, when the amounts involved are of any size. It is much easier to carry, count and conceal than specie; is not subject to the objections of bulk, weight and wear; and is more difficult to counterfeit and tamper with than coin when properly made. The present amount of greenbacks, national bank notes and silver certificates, added together, exceeds eight hundred millions. It is obvious, that if silver dollars were preferred to paper, the specie would be in circulation instead of the certificates. There is no demand for the redemption of national bank notes, nor silver certificates in order to obtain specie thereon. All the silver dollars wanted are in circulation already. And heretofore but little demand has existed for the redemption of greenbacks, although they are paid in gold. The demand for gold, to export and to hoard, falls chiefly on the gold certificates. Hence if the standard coin were of gold alone, none would be exported unless it was redundant, and hoarding would not be stimulated by the fear about the future value of money. And if the demand for paper money and especially for small notes was chiefly supplied by greenbacks there would be little or no demand for their redemption. An additional amount of paper would be required in order to fully satisfy the demand for that kind of money. This would be supplied by gold certificates, which being for large amounts as now, (none less than \$20) would supply any demand for coin, as against paper, which might arise. If the amount now held in the

treasury to redeem greenbacks, viz. one hundred millions, were retained for that purpose, it would be quite adequate for the new and increased amount of United States notes. By this scheme, counting interest at four per cent. on five hundred and fifty millions, the people would save annually twenty-two millions of dollars, less the cost of printing and issue of the notes. Every part of the profit arising from the use of paper money belongs exclusively to the people. And it is a gross fraud upon them to give any part of it away to national banks, or any private corporations.

The above scheme is probably utopian. In time past every effort was made to wipe out the greenback entirely. The profit on paper money has been scrambled and fought for and shared among private corporations ever since the foundation of the government—the profit on the greenback issue only excepted. They were first issued in 1862, and it would be quite safe to say, that the people have saved by their use as money to this time more than the face value of the entire present issue. And again every favor is shown to the silver dollar. It is transported to applicants at public expense. Any one who wants gold must pay the charges himself. The field for small notes is granted to silver dollars exclusively. The banks have lent their assistance also to the coming change of standard from gold to silver. It may require another hundred years of financial disasters to rid the country of schemers, who continually favor a cheap dollar and still cheaper substitutes for the same. But it will be discovered and settled ultimately that a complex and variable currency composed of cheap money does not bring stable and lasting prosperity. The country has prospered and grown rich under the gold standard since specie resumption January 1, 1879, at a rate unknown before. A change from a gold to a silver standard is very liable to work a change in the aspect of things. It can hardly occur without a shock.

But prophecy is not the purpose of this essay. It is proposed to explain the nature and uses of money by a commentary on the different kinds now current in the United States; and also to show that the changes in the currency above suggested ought to be made.

I.

THE STANDARD.

The standard, or money unit, being a tangible thing, requires not only a name, but that it should be composed of a fixed amount of something which is durable, and which maintains a permanent and invariable value as nearly as the nature of the case will allow.

It was settled by the act of April 2, 1792, that the money of account of the United States should be expressed in dollars or units, decimally divided, into dimes or tenths, cents or hundredths, and mills or thousandths.

Also the law now in force (Act, Feb. 12, 1873,) makes the standard for both gold and silver coins of the United States, such, that of one thousand parts by weight, nine hundred shall be of pure metal and one hundred of alloy. The alloy of the silver coins shall be of copper. The alloy of the gold coins shall be of copper, or of copper and silver; but the silver in no case shall exceed one tenth of the alloy. It is now almost entirely of copper. Means have been found for the more complete separation of silver from copper.

The law also enacts, the gold coins of the United States shall be a one dollar piece, which at the standard weight of twenty-five and eight-tenths (Troy) grains, shall be the unit of value. The other gold coins are, a three dollar piece, a ten dollar piece or eagle, and also a double, half and quarter eagle. Their standard weights are multiples of the standard weight of the gold dollar.

In 1827 the Government procured at London, a brass (Troy) pound since and now in the custody of the Mint at Philadelphia, to which the law declares the coinage shall conform. More recently the French metric system was legalized. But Troy weight is the one used.

The theory of the law as to gold coins is, that a dollar in gold coin is a piece of gold certified to be of a certain weight and purity by the form and impress given to it at the Mints

of the United States. Any number of such dollars is the number of grains of standard gold in one dollar multiplied by the given number. *Bronson v. Rodes*, 7 Wall. 229.

In estimating coins, the alloy is not valued. Its value is too small. And except for direct use in coinage the precious metal would be worth as much, or more, without it.

Property is estimated, bought and sold; taxes and duties are assessed and paid; public and private debts are incurred and discharged; and all business done and transacted in terms of the standard, or money unit, and by means of it, its multiples and sub-multiples and their representatives.

The standard, or money unit, is the common measure of all wealth. Therefore, like any other unit of common measure, it should be of a fixed and uniform magnitude, and remain so always, or as near so as possible.

This can be made clear as follows:

Everything which is called property in the law, is termed wealth in the science called economics. The word, property, relates to the right of possession and enjoyment. Hence it is proper to say, that one has or may have, property, in lands, tenements, goods, chattels, rights, credits, moneys and effects. On the other hand, wealth refers to all these things as being more or less in quantity, or greater or less in estimation. As for instance, an acre of land, a bushel of grain, or a day's labor are each worth more than half the quantity. And most articles of wealth vary through all degrees of quality. An acre of good land, and a bushel of good wheat, are each worth more than the same quantity of a poorer quality. Land is worth more in the city than in the country. Farm products are worth more in the markets than on the farm. One man's labor is worth more than another's, if more efficient.

As wealth admits of being more or less in quantity, it follows, that of any two economic quantities denoted by, w , and d , the equation

$$w = v. d \quad (1)$$

expresses the ratio, or relative value, between them. The article or quantity, w , is worth v times the article or quantity, d . All exchanges are made on the basis of *Eq.(1)*. If there

were no money, this would be done by barter. All the metals, including gold and silver, would be exchanged by weight for other things. And when the precious metals first came into use as money, they passed by weight. The shekel was a weight, and Abraham weighed out a number of shekels of silver for a place of burial. But there was another element involved, that of purity. Coinage is a certificate of both the weight and purity of the metal contained in the piece. And a proper series of pieces enable exchanges to be made by a mere count of coins.

If the gold dollar, or the quantity of pure gold therein, viz. 23.22 grains, considered as an economic quantity, be denoted by d in *Eq. (1)*, then any other article or quantity of wealth, denoted by w , has a value v times as great as the value of the gold dollar. Taking the gold dollar as the unit of wealth, the article or quantity of wealth w is worth v times as much.

If $w = d$ in *Eq. (1)*, then

$$v = \frac{w}{d} = 1 \quad (2)$$

or, the value of the unit of wealth is unity, or the unit of value.

Hence the meaning of the law is, that the standard gold dollar shall be the unit of wealth, and its value, the unit of value. It would not alter the case, if no gold dollars were actually coined. For the money unit is, 25.8 grains of standard gold. The coinage of standard gold is free, and of other gold bullion also, except the cost of reducing it to standard.

All commercial articles are measured in terms of the money unit by market prices. If an article sells wholesale in the market at a certain price, then a like article had a similar (wholesale) value at that time and place whether sold or not. In the Chicago market, the various kinds of grain after being duly inspected, graded, and warehoused are daily bought and sold to the extent of millions of bushels. And there is a wholesale price for live stock, lumber, and a multitude of articles. A producer or dealer can sell any quantity of any article commonly dealt in, any day, at its then market price

for present or future delivery. Daily values are learned from the market prices at the leading markets of the world. The daily newspaper obtains these prices and spreads the information. And the automatic ticker furnishes the very latest prices of bonds, stocks, and other things. Retail prices are learned in the retail market, or from the column of the newspaper devoted to that purpose. Of articles not dealt in commercially, as land, or, of such varying quality as to defy quotation, as jewelry, works of art, etc., their value is less accurately known.

With a fixed and permanent standard, the values of all other things continually fluctuate from a variety of causes generally affecting the present or immediate supply and demand. Wheat is sown and reaped every month in the year somewhere. And in the wheat market the last crop and the next one are subjects about which the whole truth, and more too, is told. There is a question about the amount "in sight," and still in farmer's hands. There is a good or poor crop in California, Australia, India, Russia, South America, or somewhere. The weather is too wet or too dry, too hot or too cold, on this continent or some other. Rust, bugs, flies or other insects are spoiling the crop. The New York, Liverpool, or some other market, is up or down; and so are freights. The grain is hot in the warehouses, or somebody is running a corner.

This being so, under a fixed and permanent standard, what limits could be assigned to values, if the standard itself is unreal, fictitious, unstable, elastic, flexible, etc?

All past experience proves that a gold standard answers the necessary conditions better than anything else, and that nothing is second to it, except one of silver.

The fact that values are so unstable, settles the question of a double standard. This is based on the idea that a definite amount of gold and a definite amount of silver will continue and remain of equal value. An attempt to bring it about by a general and international agreement was a total failure. Germany would not even attend the conference, although invited. Great Britain and other nations attended out of courtesy, and to affirm their adherence to a single gold standard. The idea of a double standard has been exploded. Because it means two different standards, one smaller than the other.

The act of Feb. 28, 1878, made the silver dollar of the weight of 412.5 grains of standard silver, and all silver dollars heretofore coined of like weight and fineness, a legal tender at their nominal value for all debts and dues public and private, except where otherwise expressly stipulated in the contract. This made the silver legally equal to the gold dollar, in all other cases than those above excepted.

Now the relative value of gold and silver is fixed by the world at large, and is beyond the power of any statutory law. Silver is sold by the ounce, and its value in gold is fixed daily by its market price in London. Silver is a surplus product of this country and is largely exported abroad, chiefly to London, for a market. Its average price per ounce in gold, during the fiscal year ending June 30th, 1888, was \$0.95741. And the silver coined during that year was bought at or about that average price.

Denoting the gold dollar, or 23.22 grains of pure gold by d , and the silver dollar or 371.25 grains of pure silver by d^1 , and the gold price of an ounce of silver by $v. d$, then

$$v. d = \frac{480}{371.25} \cdot d^1 \quad (3)$$

At the above average price for silver during 1888, the silver dollar was then worth about \$0.74 in gold, and the gold dollar nearly \$1.35 in silver dollars. In order to make the two dollars of equal value, the gold price of silver per ounce must be \$1.29+. This is the result of making $d = d^1$ in *Eq. (3)*.

The relative value of the two metals is often expressed by the number of times gold is more valuable than silver for equal weights of each. If such ratio be r and the gold price of silver per ounce $v. d$, then since an ounce of gold is worth

$\frac{480}{23.22} \cdot d$, the result is

$$v. d. r = \frac{480}{23.22} \cdot d \quad (4)$$

At \$1.29+ in gold per ounce of silver, then r is 15.988+, or gold is nearly 16 times more valuable than silver; while, in

1888, gold was in fact over 21 times more valuable than silver, and is now still more so. The present price of silver is about \$0.92 an ounce which makes the silver dollar worth a little over \$0.71 in gold, and the gold dollar worth over \$1.40 in silver dollars. According to this reasoning, the double standard now in force means two different standards of unequal size. Regarding the gold standard as the unit, the silver standard is in fact about \$0.71. It may be said, if anyone objects he may stipulate to the contrary. But when business is done in dollars, nobody can do business otherwise. This embarks everyone upon a sea of uncertainty. He must take his chances, and may speculate about the future as he likes.

The act of 1878 for the coinage of silver dollars is open to construction. Does it mean that they must be of the exact weight of 412.50 grains of standard ($\frac{9}{10}$ fine) silver in order to be a legal tender? And if not, does it mean that they must be within the standard and tolerance when tendered? Or, that if within them when coined, silver dollars remain a legal tender regardless of their subsequent loss of weight?

The part of the act which is material is as follows: There shall be coined at the several mints of the United States, silver dollars of the weight of four hundred and twelve and one-half grains (Troy) of standard silver as prescribed in the act of January 18, 1837, on which shall be the devices and superscriptions provided by that act, which coins, together with all silver dollars heretofore coined of like weight and fineness, shall be a legal tender at their nominal value for all debts and dues, public and private, except where otherwise expressly stipulated in the contract. And the Secretary of the Treasury is authorized and directed to purchase from time to time, silver bullion at the market price thereof, not less than two million dollars worth per month, nor more than four million dollars worth per month, and cause the same to be coined monthly as fast as purchased into such dollars. Any gain or signorage arising from this coinage shall be accounted for and paid into the Treasury.

The standard for silver under the act of 1837 was the same as now, and the deviations allowed by that act and since are as below stated.

In coinage, the standards for weights and fineness cannot be exactly complied with. Therefore a certain deviation or tolerance is allowed by law. As to fineness no ingots shall be used for coinage differing from the standard more than, in gold ingots, 0.001; in silver ingots, 0.003; in minor alloys, 0.025 in the proportion of nickel. As to weight, the following deviations shall not be exceeded in any single piece; double eagle and eagle, $\frac{1}{2}$ a grain; each of the other gold coins $\frac{1}{4}$ of a grain; each silver coin, $1\frac{1}{2}$ grains; each five-cent piece, 3 grains; each three-cent piece and cent, 2 grains. And in weighing a number of pieces together, when delivered by the coiner, the deviations from the standard shall not exceed in every \$5,000 in double eagles, eagles, half, and quarter eagles, and in every one thousand three dollar and dollar pieces, $\frac{1}{10}$ of an ounce; in one thousand silver dollars, halves and quarters $\frac{2}{10}$ of an ounce; and in one thousand dimes $\frac{1}{10}$ of an ounce. If any coins executed are found to deviate from standard more than the legal limits, they are to be defaced and recoinced. The annual test essay for 1888 showed that no coinage executed during that year deviated from standard more than one-half the tolerance.

If the coins are within the tolerance the officers of the Mint are relieved from liability. But is that enough to make silver dollars of a greater or less weight than 412 5 grains a legal tender under the above act provided they are within the tolerance? The statute making gold coins a legal tender provides for the tolerance. It is as follows: The gold coins of the United States shall be a legal tender at their nominal value, when not below the standard weight and limit of tolerance provided by law for the single piece, and, when reduced in weight below such standard and tolerance, shall be a legal tender at a valuation in proportion to their actual weight. How about silver dollars as legal tender when reduced in weight below the standard and tolerance?

Loss from natural abrasion is caused by the public, and is therefore a proper public charge. And the law provides for redeeming such light gold coins at their nominal value, and for their recoinage when reduced by such abrasion more than one-half of one per centum below the standard weight prescribed by law. No provision appears to be made for

the redemption and recoinage of light silver dollars and the smaller coins.

The law provides the following mode for converting foreign standards into our own, namely: The value of foreign coin as expressed in the money of account of the United States shall be that of the pure metal of such coin of standard value; and the values of the standard coins in circulation of the various nations of the world shall be estimated annually by the Director of the Mint and be proclaimed on the first day of January by the Secretary of the Treasury.

Pursuant to this, the Director of the Mint ascertains the amount of pure gold or pure silver contained in the standard coin to be estimated. And if such coin be of gold, the quantity of pure gold therein divided by the quantity contained in the gold dollar, gives the value expressed in American money. If the coin to be estimated is of silver, the value of the pure silver therein is found by taking the average gold price of silver for a short period just before the date of computation. At one time, the computation of French coin was made on the basis of the silver dollar as the unit. This very much increased the duties on importations of French goods. The question was carried to the Supreme Court, where it was held that the court could not interfere. According to this, the Director of the Mint can increase the *ad valorem* duties about forty per cent. by computing foreign money in silver instead of gold dollars. Also, all contracts expressed in foreign money would be similarly affected.

If any commodity is exported, and sold at a price rated in foreign money, the seller easily ascertains whether the price he paid at home expressed in dollars was low enough to leave a profit. Likewise as to imports. All foreign commerce involves the conversion of one monetary unit into another. The bullion value of a standard foreign coin expressed in terms of the bullion value of the standard gold dollar, gives the par of exchange between the gold dollar and such foreign coin. The above law assumes that all commercial nations have standard coins. If any one of them has suspended specie payment and is using an inflated currency, invoices are not expressed in such money, but in the standard coins of such country although not in actual use.

Another section of the statute is, In all payments by or to the Treasury, and in appraising merchandise imported where the value by the invoice is in sovereigns, or pounds sterling, and in the construction of contracts payable in sovereigns, or pounds sterling, the value of the sovereign, or pounds sterling, shall be deemed equal to $4.86\frac{5}{100}$; and this valuation shall be the par of exchange between Great Britain and the United States. This is well enough, although unnecessary, because the gold in the sovereign or pound sterling will make that many gold dollars. But if either standard were changed, this section would require repeal at once. If the silver dollar were the standard of this country, the sovereign would be worth about forty per cent more than the above amount.

While the gold standard remains the basis of all values, it is obviously correct to estimate the value of foreign coins and of foreign commodities in terms of the gold dollar.

If a balance arises, which requires payment in money, it is gold that is exported to pay the balance. Silver dollars cannot be exported at their nominal value.

For exportation the newest and heaviest coins are selected, leaving the light and worn coins behind. But bars are more accurate and easier to count and handle than large amounts of coin. Therefore, interchanges are now largely made in bars.

The coinage mints and the assay office at New York make both gold and silver bars. None are made of less weight than five ounces. They are required to be stamped designating their weight and fineness and with such devices impressed thereon as may be deemed expedient to prevent fraudulent imitation. Gold bullion may be deposited to be made into coin or bars; silver bullion, to be formed into bars only. Any deposit of less value than \$100 may be refused; also, bullion so base as to be unsuitable for the operations of the Mint. The charges are enough to cover the cost only. No charge is made for converting standard gold bullion into coin; nor upon other gold bullion except to prepare it for coinage.

On deposits of gold coin, United States mint or assay office bars, or fine gold bars bearing the stamp of well-known refineries, payment therefor may be made at once within two per cent. of the value contained therein, provided no partial payment shall be made on a deposit of less value than \$5,000.

Gold bars are also exchanged at the coinage mints and the New York assay office for gold coin of legal weight offered in sums of not less than \$5,000.

During the fiscal year 1888, the amount of gold bars made was nearly fifty-two millions of dollars, and of silver bars, about seven and one-half millions of dollars, at coining value.

II.

THE VOLUME OF THE CURRENCY.

All of the uses for money require a certain amount of it to satisfy the demand. The amount required to satisfy a permanent and unexcited demand represents the volume of the currency. This would increase with the growth of the country and be modified by increased facilities for doing business which render less money necessary. Casual variations in the demand for money affect the rapidity of its circulation and the rate of interest. The volume of the currency is full when exportation of specie sets in ; and is deficient, when importation takes place. An excess of money excites speculation, enhances values, and depreciates the relative value of the money; a deficiency produces the contrary effect. Hence if quantities of paper or other money be continually thrust into the circulation, it drives out that part of it which is the most valuable for export, and the volume of the currency is not thereby materially or permanently increased. After the exportable part has been driven out all further additions to the currency cause a permanent depreciation of the money, or else a collapse. If all the money be denoted by $n.d$ and the volume of the currency by M then

$$M = n.d \quad (5)$$

in which if n or the quantity of money increases, d , or the money unit depreciates, and *vice versa*. If the standard is the gold dollar, and the volume of the currency is full, gold coin is at the export value of so much gold bullion.

If the standard is reduced in size the nominal amount of money is increased. If d were fifty cents then n would be twice as great as if d stood for a dollar. If d were one

cent then n would be increased one hundred times. If the standard were changed to d^1 , so that $d = xd^1$, then

$$M = nd = nxd^1 \quad (6)$$

in which if d^1 were \$0 71 cents in gold the nominal amount of the money would be increased about forty per cent. If such a change of standard were made now, the present currency might be used, but such change would cause great confusion in transactions and in accounts. In order to remove that difficulty, a new currency would be necessary. This might be done by receiving the present gold coins at the treasury, debasing them, either in weight or fineness, or both, to the extent of twenty-nine per cent, and then paying them out as legal tender at their former nominal values. The coins would be changed but not the names. A more covert and indirect way to bring about the same result is, to continually crowd into the circulation, silver dollars or silver certificates until all the gold coins are expelled and the nominal amount of the money is increased, at present rates for silver, forty per cent.

In time past, the importance of the volume of the currency as a factor in the money question, was not enough considered. Congress was given power "to coin money and regulate the value thereof." Pursuant to this a money unit was fixed upon and a mint established. And up to and including 1877 there had been coined in gold, \$983,159,695.00, and in silver \$184,498,933.40. Yet in 1877 all the money (except gold used to pay duties on imports), even to five cents, was in paper. There was very little specie in the country at the outbreak of the rebellion in 1861, and there would have been still less, if previous losses by paper money and broken banks had not compelled the government to conduct its fiscal operations in specie. The total coinage of gold to June 30, 1888, by the United States Mints, was \$1,474,080,807.00. If it was supposed that Congress could regulate the value of money by giving such value as it saw fit to a piece of coined metal, entirely regardless of its intrinsic worth, then such supposition was a great mistake. When the volume of the currency is full, the standard coins are at their bullion value, and they

are liable to skip at any time in spite of Congress. Otherwise it was a great fault that the gold coins were not prevented from leaving the country by act of Congress. Then there would have been always gold enough.

Although the States could not emit bills of credit directly, it was settled early that they could do it indirectly through State banks. And the profit to be made out of paper money induced every State to enter into competition in cramming the volume of the currency, with the paper issues of small banks so located and distributed as to prevent any call for specie on the notes. By this means the specie was driven out, and the thing being overdone, there would be a collapse followed by hard times and general insolvency. After which, the same thing would be repeated over and over again. The States could not make their bank issues a legal tender. There is a clause in the Federal Constitution prohibiting it. Consequently, when all devices to evade redemption of the notes had been exhausted and general distrust took the place of confidence, then a crisis and collapse were inevitable.

The value of money could not be regulated by Congress while every State was permitted, and in fact supposed to have the right to tamper with the currency and dilute it without any restraint. In regulating the value of money, two things were lost sight of: the kind of money and the quantity. Experience proves that only a limited amount of paper money is required to satisfy the legitimate demand for that kind of money. The facts indicate that about half of the currency should be in paper, the rest in standard coins, excepting the small change. If all the coins of standard value were composed of the same material as the standard and the paper was of coin certificates made redeemable without delay or cost, then Congress could not further regulate the value of money except for the worse. Any excess or deficiency of money would cure itself by the operation of natural causes; and the proper proportion of paper to coin would be regulated in the same way. This latter can also be effected by having a certain fixed amount of the paper in United States notes, with an additional amount of coin certificates to operate as a regulator between the respective demands for coin and paper.

But the power to regulate the value of money duly vested

in Congress, was put completely in abeyance by State rights until the late civil war. And the power was nugatory until after 1869, when the Supreme Court upheld the validity of a law, taxing State bank issues enough to wipe them out of existence. This law is still in force and is the only thing which prevents the volume of the currency from being filled with all kinds of uncurrent and practically irredeemable shin-plasters, issued by private enterprise under State authority.

And in exercise of the power to regulate the value of money a National free banking system is faulty, although it may be better than a heterogeneous mob of State banking systems. A free banking system proceeds on the theory that there cannot be too much paper money—the more the better. On the other hand, it is a well known fact that to crowd paper money into the currency chiefly operates to crowd the specie out. Common sense requires that either free banking or coinage ought to be stopped, the one or the other. Why run the Mints hot, if the coins are to be exported and remelted elsewhere? The only check upon a great expansion and influx of National bank paper is the growing scarcity and high price of United States bonds. Allow other and cheaper (good?) securities to be substituted and liberalize the system somewhat, and the flood-gates will be open.

But the paper of free banks is not the only cheap stuff which Congress has authorized to be thrust into the currency. It has directed and required that not less than about thirty-three millions of silver dollars, or silver certificates, shall be issued every year, whether wanted or not.

Before the war, Congress tried ineffectually to fill the volume of the currency with coins. After the war broke out, Congress took a hand in the line of paper money and finally expunged all State bank issues by the tax above referred to, first levied in 1866. After the war, by a rigid course of contraction for a long time persisted in, previous to January 1, 1879, all values were brought down to a gold basis, and a large amount of gold poured into the country and was held in reserve awaiting specie resumption at that date, with more still coming. The enhancement of the value of money pressed hard upon debtors. An alarm was excited that gold was, or would be, too good and high priced for money. At all events, in

1878 the act for the compulsory coinage of silver dollars was passed over the President's veto. When specie payments were resumed there was nothing to redeem. All the paper money as well as the specie was required in business. The contraction had been considerably overdone; or, in other words, resumption had been postponed too long. Specie was a novelty. It had not been seen for eighteen years, and previous to that period it had been a comparative stranger. The silver dollar, of which about twenty-two millions had been coined in 1878, came in with the rest, if not shortly in advance. It bore the stamp of the National faith that it was worth a dollar, and the uplifted wings of the eagle and the pious ejaculation above it, bore witness to the truth and honesty of the certificate. It was cried up as the dollar of "the daddies." This was true except that its bullion value in 1879 was less than eighty-seven cents, whereas in the time of the daddies it was worth above par in gold. Silver had declined in value ever since 1862, and rapidly ever since 1872, and has continued to do so until now. This the people did not then nor now know. They have not the means to compute the bullion value of a coin. It is a recondite subject. Their faith in Uncle Sam was implicit, and they would be much surprised to learn even now, that their representatives and great statesmen had put him forward to issue a dollar to them debased at this time about twenty-nine per cent. below its nominal value.

Silver dollars are tokens, circulating freely on an equal footing with gold coins, at their nominal value by virtue of common consent and their legal tender qualities. They take the place which gold coins would otherwise have occupied. The large amount of gold (nearly sixty millions) exported during the fiscal year 1888, would have remained, if its place in the currency had not been occupied by silver dollars or silver certificates. Their amount is fast approaching three hundred and fifty millions. As the silver certificates are thrust monthly into the currency, gold as the best money must be displaced. This effect may be retarded, if national bank notes continue to be withdrawn, but the principle is in operation.

Until the gold coins are expelled, the nominal amount of the currency will remain the same. Therefore the issue of

silver dollars has not made money any more abundant than if none had ever been issued. But they have made the currency poorer in the same proportion as a token is worth less than the actual value it represents. But as long as silver dollars passing as tokens will buy as much as an equal number of gold dollars, the harm is not apparent. And no reason is seen for stipulating against them in ordinary contracts, even if it were practicable. But following behind the constant increase of silver dollars comes a sequel. When all the gold is expelled or hoarded, and the volume of the currency is filled with silver dollars and their representatives, then at present rates for silver, about seventy-one cents in gold will be the unit of wealth, and its value the unit of value. If this should happen now, the currency would not be as good as if Congress should debase the gold coins twenty-nine per cent. For the silver standard might still decline owing to the continually increasing supply of silver and the decreasing demand. If the silver standard had been adopted in 1879, it would have been equal to debasing the dollar about thirteen cents; if adopted now, it would be equal to debasing the gold dollar about twenty-nine cents.

There is a theory stated in the science of money which will serve to illustrate the present position of the silver dollar as a token. Suppose the currency to be all of gold and adequate; also, that by some magic all the precious metal was extracted out of it and some worthless material substituted, leaving all the coins the same otherwise as before. Now the theory is, that the money is just as good as ever. There are the same number and nominal amount of pieces, and they are all needed the same as before. As a medium of exchange merely and to pass from hand to hand, to be received for a thing not wanted in order to be passed off for something that is wanted, only tokens are required. And it is immaterial what they are composed of. Such is the theory. According to this doctrine, if the volume of the currency were entirely filled with silver dollars, and then their coinage at once arrested, there would be the same number and nominal amount of pieces as before, and the money would be just as good as if it were all of gold. But there must be no redundancy, or the money would depreciate until it reached the bullion value of the silver dollar.

The tendency of the continued coinage of silver dollars is to fill up the volume of the currency entirely with tokens. The above theory about money rests upon logic pressed to a state of extreme tension. Anything is good which will pass for money; counterfeits and bills of broken banks are as good as any, so long as they will pass current. Such a state of things is unstable. The risk is, that somebody will hoard gold, and finally claim that it is worth more than silver dollars, and thereby cause a monetary disturbance. Even now silver certificates, national bank notes, and greenbacks are doing the work as a medium of exchange. Gold and gold certificates are seen less and less. According to the Director of the Mint, the banks held on July 1, 1888, in gold and gold certificates over two hundred and eight million dollars and only sixteen millions in silver dollars. And the gold is not paid out to their customers. The Director credits (State) banks not specifically reporting, and the people, with three hundred and three million of dollars in gold, at the above date. If this was correct, some of it is evidently laid away; for very little appears to be in circulation. To lay up for the future, something better than a token is wanted—something which all the world regards as worth the nominal value stamped upon it. It is natural to circulate the poorer money and keep the best. Even the most ignorant know that none of the money is better than gold. Why export it and use tokens? Why change the standard from gold to silver, if that is the object? The country has prospered ever since January 1, 1879, more than ever before. England adopted the single gold standard in 1816 and still adheres to it. She is now among nations one of the foremost, if not the first, financially. Germany and other nations have followed her example. The Latin Union long since ceased the coinage of silver. The act of 1878 failed to arrest its decline in value. The effect of that act on the price of gold is not perceptible. The attempt to cheapen the price of gold by the coinage of silver dollars was a scheme intended to benefit the whole world. It failed. Its disinterested benevolence was its only virtue. If the free coinage of silver is adopted, the amount of it dumped upon the country would soon satisfy and close up the market for silver thereby created. One country alone

cannot restore and uphold its former value. Other nations, supposed to be intelligent, wholly refuse to concur.

When the silver standard becomes an accomplished fact, credits will be discharged at seventy-one cents on the dollar, at present rates for silver. Any one having a silver dollar which was accepted as a token for one hundred cents will find that its value has been reduced twenty-nine cents. But values would become finally adjusted to the new standard. Also the quantity of money. No increase of it could be made afterwards except by driving out the silver. Those incurring debts in silver dollars and desiring to pay in something cheaper, would advocate a free banking system on a liberal basis—the more inaccessible the banks and the greater the number, the better for purposes of inflation. And after that would come a collapse, and no money, with the results often experienced in times before the war. The aspiration for a kind of money which would be very cheap, plenty and good, all at the same time, has never yet been realized.

If silver continues to fall in price, will silver dollars be discredited and the Government required to redeem them? The legal tender clause is not enough to make or keep a token current. California and Nevada rejected both the greenback and the silver dollar. No one could do business there in either. Custom and public opinion are stronger than the law. A token requires common consent to give it currency. How much more shall silver decline before somebody begins to object and to refuse to sell for silver dollars? It has been hoped for a long time that the price of silver had reached bottom.

III.

THE TOKEN COINS.

The silver dollar has been already described.

There are also the fractional silver coins, which, with their weights, are: A half-dollar piece, weight, $12\frac{1}{4}$ grains (192.9 grains); a quarter-dollar and dime, respectively, one-half and one-fifth of the weight of the half-dollar.

The minor coins and their weights are: A five-cent piece, weight, 77.16 grains; a three-cent piece, weight, 30 grains; and a one-cent piece, weight, 48 grains. The five-cent and three-cent pieces are composed of an alloy consisting of 75 per cent. of copper and 25 per cent. of nickel. And the cent, of an alloy composed of 95 per cent. of copper and 5 per cent. of tin and zinc in proportions, to be determined by the Director of the Mint.

The fractional silver coins are a legal tender at their nominal value in all sums not exceeding ten dollars, in full payment of all dues public and private.

The minor coins are a legal tender at their nominal value for any amount not exceeding twenty-five cents in any one payment.

No foreign gold or silver coins are a legal tender in payment of debts.

There are good reasons why the minor coins should be tokens. If they were made of gold or silver they would be too small. On the other hand, if they contained an amount of metal in value equal to their nominal value they would be too large. Ten or twelve of such cents would weigh a pound. No one would desire to receive two pounds of copper as pay for twenty-five cents. Hence these coins are made of a suitable size. They are current as tokens by common consent and their limited virtue as legal tender. They are a necessity. As it is now, a difference of less than one cent in an account is lost by one party or the other, and, without cents, any amount

less than three cents would be lost. Small coins save the small sums and admit of retail in small amounts. Without coppers the daily newspaper could not be retailed for one or two cents. The minor coins are a fair instance of money whose value resides solely in its use as a medium of exchange. If too scarce, they would command a premium; if redundant, they would become a nuisance. The five-cent and three cent nickels are worth but a small part of their nominal value.

The fractional silver coins are tokens also, with less reason. But in view of the variable and declining value of silver, they are well enough as they are. The half-dollar weighs less than half of the weight of the silver dollar. And the quarter and dime weigh in proportion to the half-dollar.

And by law, the fractional silver coins when presented in sums of twenty dollars, and the minor coins when presented in sums of not less than twenty dollars are redeemable in lawful money at the Treasury or any of its offices. Hence the fractional silver and minor coins are not strictly tokens but rather a credit currency. The Secretary of the Treasury has power to prevent the minor coins from becoming redundant by limiting their coinage.

The silver dollar ought to have been made redeemable in gold coin. This would have limited their coinage to about sixty millions or to the amount actually needed for circulation in specie.

IV.

PAPER MONEY.

The figures given at the beginning of this essay indicate that between nine and ten seventeenths of the currency is required to be in paper to satisfy the popular demand for this kind of money. Otherwise, coin certificates would be cashed and the specie used. Still this may require modification, for the reason that silver dollars are continually coined in large amounts whether wanted or not; and since they are not acceptable in specie, they are thrust into the circulation in the form of certificates, and the silver dollars deposited in the Treasury.

Coin certificates are issued out of the Treasury of the United States for coin deposited, and are payable to the bearer on demand, without interest. Gold certificates are in denominations not less than twenty dollars and upward, to correspond with the United States notes and are payable in gold coin. The silver certificates are in denominations of ones, twos, fives, tens and upwards to correspond with the United States notes, and are payable in silver dollars. The coin deposited is required to be kept in the Treasury for the redemption of the certificates when presented for payment. Both kinds are receivable for customs, taxes and other public dues, and when so received are to be re-issued. Redemption is made by the Treasurer or any assistant Treasurer, unless in case of mutilation. Mutilated certificates are redeemable by the Treasurer only, at a discount of ten per cent. of the face value for each tenth of the original proportions missing in any one part or place, provided not less than one-half of the whole note is presented. Fragments less than one-half, and those subject to discount as above are redeemed at the face value of the whole note on satisfactory proof that the missing portions have been totally destroyed. Fragments not redeemable are rejected and returned. Counterfeits are branded and returned. Silver is sent to the

applicant free of charge; gold coin, at the expense of the applicant.

Silver certificates are tokens for a token. Some may think that the law can stamp into a coin a greater value than possessed by the metal contained in it. That, in short, seventy-one cents worth of silver can be made actually worth a dollar, by heat and pressure and the force of law. If so, where is the limit? Is any more precious metal required than enough to decorate the piece? It would not do to say, that there must be enough to make the people believe it contains a dollar's worth of silver. That would make the present silver dollar a pious fraud, and the Mints, factories of bogus coins. As tokens, silver dollars serve a useful purpose to an amount of about sixty millions. In excess of that amount they would be a nuisance. Therefore, under cover of the demand for paper money, token silver certificates were issued, in order to avoid the objection which was about to arise to the metallic tokens themselves. The continually increasing quantity burdens the Treasury. It held July 31, 1889, in silver dollars and bullion \$285,693,668; of which nearly two hundred and sixty millions were represented in circulation by silver certificates. Some good reason ought to exist for this. For otherwise, every part of this great mass of coined silver lacks honesty.

The point is made, that the coined money, except small change, should be composed of the same material as the standard. Then the paper money would be representative of the standard coins, and the whole currency simple and homogeneous. Such would be a currency composed of gold coins and gold certificates. It would combine the advantages of both coin and paper. And each kind being readily convertible into the other, the two kinds would fluctuate in amount to suit the popular demand. A currency panic could hardly happen. No fear could arise about the paper money, while the coin which it represented was in the Treasury ready to redeem it on demand, and the whole people stood responsible for the due performance of the contract. The great mass of specie required for the purpose would not be sensitive to exports of even large amounts, and the currency would bear such a strain without exciting distrust or seriously disturbing values. Any pressure thereby caused would operate

as a corrective and the equilibrium would be soon restored by a natural and unexcited demand. The volume of the currency would be kept full by natural causes. Such paper money expels no specie and causes no inflation. If this system of money is the best, its cost is no objection. The best tools are liable to be costly, but they are the cheapest in the end.

Paper money is called a credit currency. The above is one kind; and a currency entirely of paper with its payment suspended indefinitely is another. The two stand at the two extremes. The demand for a certain amount of paper money is imperious, and until it is fully satisfied there is no adverse demand for coin. Promises to pay although elaborately executed cost little. They bear no interest. And when they can be issued as money for other paper, bearing interest, the profit is so great, that it leads to the abuse of this kind of money. This is its weak point. Since there is no demand for the redemption of silver certificates and national bank notes and little or none for the redemption of greenbacks, it is safe to say, that if the two former were entirely withdrawn and greenbacks substituted in their place, there would be little or no demand for the redemption of greenbacks issued upon this new and enlarged basis. This view would justify an issue of greenbacks to an amount in excess of eight hundred millions, which would still require nearly as much more in gold to make up the total amount of the present currency. And in order to satisfy the demand for paper, an additional amount of gold certificates would be required to the extent of about one hundred and fifty millions. The United States notes ought to be issued in such amounts as to fully supply the demand for all notes below twenty dollars. The gold certificates would be issued as now, viz: none less than for twenty dollars. Thus the demand for paper in excess of the fixed amount of greenbacks would be supplied by gold certificates. And any demand for coin which might arise would fall entirely upon them. Such a greenback scheme may not be sufficiently weighted down with gold. If this be so, then place the fixed amount of greenbacks at six hundred and fifty millions, as suggested at the outset. This scheme gives to the people all the profit arising from the use of paper money, and therefore would put on edge the teeth of

all private issuers of the same. The greenback is the foe which stands in the way of all banks of issue, state or national. It has become endeared to the people, and will never be withdrawn except through some indirect or underhand device. It was the first taste the people ever had in a financial way that the United States was a nation. Notes issued to a fixed and reasonable amount backed by the whole people and made redeemable in gold are certainly good. They are better than silver certificates for seventy-one cent dollars, and inconvertible bank notes issued under a free banking system. Taking the fixed amount of greenbacks at six hundred and fifty millions, then about nine hundred and ten millions of gold would be required in order to make up (with the tokens) the volume of the currency. In such case one hundred millions of dollars in gold coin held in the Treasury for the redemption of the greenbacks would be quite adequate. From this follows a profit to the people annually of nearly twenty-two millions of dollars. This is a fine illustration of the saying, that honesty is the best policy.

By law, the United States notes are of such denominations as the Secretary of the Treasury may prescribe, do not bear interest, are payable at the Treasury of the United States and are in such form as the Secretary may deem best. They have been issued in denominations of \$1, \$2, \$5, \$10, \$20, \$50, \$100, \$500, \$1,000, \$10,000. They are lawful money and a legal tender at their face value for all debts public and private, except duties on imports and interest on the public debt. Their present amount was fixed in 1878 at \$346,681,016.00. One hundred millions of dollars in gold is held in the Treasury for their redemption. They are redeemed in like manner as coin certificates and when redeemed are re-issued. They were first issued in 1862. And the people have saved by their use as money to date, more than the entire face value of the present issue. This saving is only part of the true amount which belonged to the people. It ought to have included all the profit realized by private corporations from the use of their bank paper.

National bank notes are issued by over three thousand banks, organized under the national free banking system, and located and scattered all over the country. The notes are se-

cured by United States bonds deposited with the Treasurer of the United States, and are authorized in denominations of \$5, \$10, \$20, \$50, \$100, \$500, \$1,000; and to an amount not exceeding ninety per cent. of the value of the bonds deposited; and are receivable for all public debts and demands due to the United States except duties on imports.

Each of these banks is required to keep in the Treasury of the United States lawful money in amount equal to five per cent. of its circulation for its redemption, if presented in amounts of one thousand dollars or any multiple thereof. The notes in circulation are chiefly fives. And it is not likely that among so many banks of issue, any one, unless a banker, would have at anytime the above amount of notes on any one bank. Otherwise, payment, if desired, must be demanded by presentation of the note or notes at the counter of the bank of issue, located perhaps a thousand miles away. If payment is refused, then the note or notes must be protested and a report made to the Comptroller of the Currency at Washington, who has thirty days to send out a special agent to inquire into the facts and decide what to do. All this is a method of keeping the word of promise to the ear and breaking it to the hope. Bank bills are paid in the poorest money current. It is easy to see that if any pressing demand existed for gold, it could not be realized on these notes. They are payable in silver dollars. A well secured note although payable in gold not bearing interest and which requires delay and expense in its collection is not worth par to any one in pressing and immediate need of cash. National bank notes are tokens, and help make up the poor stuff which is thought sufficient for a medium of exchange. They have always lived off of the public credit as a pure parasite. Their ultimate payment sometime or other during or at the end of a receivership may be secured; but their immediate payment without cost or delay has not been provided for. On October 31, 1888, the total amount of national bank notes outstanding, was about two hundred and forty millions. All the profit on the total issue always justly belonged to the people. They are responsible for the safe keeping of all the bonds deposited and also administer a complex system at great expense to enable a multitude of private concerns to tamper with the currency and dilute it for private gain.

No banks of issue have any place in a sound financial system. And especially those based on free banking, state or national. The idea is, that competition is the life of trade, and the more paper money there is the better. If there is such a thing as the volume of the currency, the above idea is totally wrong. A fixed and limited amount of paper money is required and no more. It should be of the best kind and immediately convertible, without cost, into the best kind of coin. Of which there should be but one kind. Both kinds of money should issue out of the National Treasury; and banks of issue and bogus mints should be equally prohibited. A bank of issue makes no profit on its notes unless they are in circulation. And means are found to scatter them broadcast as far away from home as possible. If they never find their way back so much the better for the bank. Under any thriving system, the banks are continually thrusting into the volume of the currency, quantities of paper money, more or less inconvertible, thereby exciting speculation, disturbing values and expelling specie. This goes on until there is no specie. The notes of the banks are collected up by brokers and specie demanded. The banks fail. The money is at a discount, uncurrent and perhaps worthless. General bankruptcy follows.

The proper office and function of a bank is to reduce the currency, and not to increase it. There are certain things which relieve money from work, such as checks, bills of exchange, promissory notes, book accounts, etc. These combined with the effects of steam and electricity reduce the amount of money which would be otherwise required. Now in applying all the facilities for doing business which have been invented, banks find their proper place. If a bank has a certain paid in capital, it can be used in buying bills and discounting paper and the bank will owe no debts. But it also receives deposits payable on demand. And there is a book account between the depositor and the bank. Any one who has bills or notes discounted is put in the same category. He is paid in a book account with a credit for such notes and bills. These customers leave their money on deposit and from time to time as occasion may require pay their debts by checks upon the bank. Those receiving these checks re-deposit them in the same or some other bank. At stated times the officers of the

banks meet and balance their accounts. Thus taking all the banks of a city as one concern very little money in fact passes. The great mass of transactions are settled through a clearing house, by an adjustment of mutual accounts. A further extension of this makes great financial centers, clearing houses for great districts of country, New York being the great center for this country, and London for the British Empire, and indeed for the whole world. As compared with the sum total of financial transactions the amount of money actually moved is reduced to a mere nominal sum. With paper money and all of the appliances devised to avoid the use of money a single gold standard becomes possible without causing any great enhancement in the value of gold. The vast increase in transactions appears to be quite compensated for, by the increased facility and rapidity with which they are conducted.

As banks owe depositors their money payable on call and use a large part of it in discounting time paper, they cannot pay and must suspend, if the larger part of such deposits were demanded at once. Their position is still weaker if they are banks of issue. Banks live and flourish in an atmosphere of credit, and that requires a permanent stable and uniform currency as a foundation whereon to rest. By issuing paper money, a bank sets to work to dig its own grave. It is seeking to add a currency panic to a panic amongst its depositors, or a credit panic. It totters at every considerable export of specie, tries to contract and shorten sail, and thus induces the panic which it seeks to avoid. Bad management would break a bank if the currency were all of gold. But distrust would not then arise except for good reasons. There could be in such case no fright about the money itself, but only a fear that it might not be forthcoming.

It was settled early in the history of the Government that each State could authorize banks of issue; also, that Congress could create a United States bank with branches to assist the State banks in regulating the currency. Happily this incipient and giant monopoly received its quietus about 1840, at the hands of the democratic party. But as a nuisance and travesty on money, the State bank systems which assumed the entire field of circulation could not be excelled. Every State did its utmost to monopolize the whole business. The State bank

issues were called at different times shin-plasters, wild cat, red dog, stump tail, etc. Paper money was at a discount, uncurrent, worthless, and counterfeit. A voluminous bank detector was required in every transaction. Panics occurred periodically, operating as general financial cyclones, which left ruin and poverty behind. It seems incredible now that the people would submit to such violent and repeated injuries. At one time after the panic of 1837, there was not enough good money in the State Treasury of Illinois to pay the postage on letters addressed to the State officers.

It would be a tedious and dismal story, to follow the history of paper money from the days of the Revolution until now. The greenbacks and the National bank notes originated in the late civil war, so that a short review of the currency from the outbreak of the rebellion will be quite to the present purpose.

In the fall of 1860 Mr. Lincoln was elected President and thereupon the Southern States seceded from the Union and combined as the confederate States under a provisional constitution on February 8, 1861. Then free banking was in fashion. The banks of Illinois had nearly twelve millions of dollars in paper in circulation, secured mostly on the bonds of the Southern States. Secession destroyed the value of these bonds. The banks were numerous, small, and located generally in out of the way places with a view to inconvertibility. The total specie held by them amounted to only \$302,905. The token theory of money failed to work in this case. As the bonds declined in value from day to day, so did the money. The people lost the greater part of the face value of the notes and were left without a currency. The prostration was complete. Deposits, if paid at all, were worth little in such bank paper. The doctrine that money may be composed of mere tokens or counters to pass from hand to hand as a medium of exchange, seems to require a general and permanent delusion that the money possesses intrinsic value, or else the bottom drops out. In the above case trade was reduced to the condition of barter, until money was furnished from elsewhere. The first issue of demand notes hereafter mentioned, and afterwards greenbacks, supplied the people of Illinois with the first good money they ever had.

Mr. Cobb, rebel Secretary of the Treasury under Mr. Buchanan, put the finances of the country in a bankrupt condition and then resigned December 10, 1860, "his duty to Georgia requiring it." Mr. Lincoln having been inaugurated March 4, 1861, issued a call for seventy-five thousand men and also for a special session of Congress to meet July 4, 1861. On July 17, 1861, a loan of two hundred and fifty millions was authorized. Pursuant to which Mr. Chase, then Secretary of the Treasury, sold at par, one hundred millions of Treasury notes bearing seven and three-tenths per cent. interest annually, payable three years after date; also, fifty millions of six per cent. twenty-year bonds at ten per cent. discount; and, also issued fifty millions of demand notes, receivable for customs and all public dues.

The battle of Bull run was fought in July, 1861, and the Union army defeated. During the summer, the Union forces were largely increased, and on July 22, 1861, the President was authorized to accept volunteers not exceeding five hundred thousand men, to serve not over three years. Thus vast expenditures became necessary, and how to meet them was the problem.

Mr. Chase in his report December 9, 1861, said, The circulation of the banks outside of the rebellious States was about one hundred and fifty millions, the whole of which constituted a loan without interest, from the people to the banks, costing them nothing except the expense of issue and redemption, and the interest on the specie kept on hand for the latter purpose; that the value of the existing bank circulation depended on the laws of thirty-four States and the character of some sixteen hundred private corporations, and was actually furnished in greatest proportions by institutions of least capital; that under such a system, or lack of system, great fluctuations and heavy losses in discounts and exchanges were inevitable, and not unfrequently through failure of the issuing institutions, considerable portions of the circulation became suddenly worthless in the hands of the people. He thought, Congress under its power to tax, regulate commerce, etc., possessed ample authority to control the credit circulation of the country, and he proposed two plans: one for the withdrawal from circulation of these bank issues and the issue in

their stead of United States notes payable in coin on demand, in amounts sufficient for the useful ends of a representative currency; the other, to prepare and deliver to associations, notes prepared for circulation under national direction, to be secured as to prompt convertibility into coin by pledge of United States bonds; and he favored the latter scheme. It was a bid for the good will of the existing banks and promised a market for bonds. The other plan was of more doubtful legality.

On December 31, 1861, all banks in the country still solvent, or existing, suspended specie payments. The United States Treasury followed suit. And thus the idea of United States notes "payable in coin on demand" and National bank notes "secured as to prompt convertibility into coin" passed into limbo. The specie in the country hardly sufficed to pay duties on imports. The fight had to be made purely on credit. It was difficult to pay interest in specie where the public securities required it.

Mr. Chase proposed to nationalize the currency. The whole State bank system being in favor of State rights, was opposed to it. And they were violently opposed to all irredeemable paper money except their own. The offer by the Secretary, of the National bank system under National control, failed to placate banks whose issues were under less control.

The confederate banks of Boston, New York and Philadelphia, as champions of State rights, and representatives of a mob of broken and suspended State banks, sent a powerful lobby to Washington to oppose the scheme of Mr. Chase. Their plan was, no legal tender notes and no more demand notes; the government to become one of their customers and keep its deposits with them, checking out the money as occasion might require; bonds to be issued and sold for whatever they might bring, with power in the Secretary to hypothecate bonds as security for loans, which if not paid at maturity the bonds might be sold to the highest bidder. All the banks in the three States of Massachusetts, New York and Pennsylvania had then a circulation of about sixty-six millions and this they could not redeem; yet these petty banks proposed to reduce the government in such an emergency to the condi-

tion of a beggar at their doors. The government debt on December 1, 1861, was about two hundred and sixty-seven millions. On October 31, 1865, the public debt was \$2,808,545,437.55. The victory had been won by the fore part of May, 1865, at which time there was a navy of 530 vessels of all kinds, armed with 3,000 guns and manned by 51,000 men; also, an army of 1,000,516 men. All of these were paid off and mostly discharged by October 31, 1865. In view of these figures, the impudence of these small State banks was gigantic. Their plan failed, and their officers went home, not to pay their suspended bank paper, but to inflate it. These banks never resumed payment in specie.

The logic of events soon compelled the use of United States notes. The first issue of one hundred and fifty millions was authorized February 25, 1862. At that time United States six per cent. bonds were selling at twelve per cent. discount in suspended bank paper. The greenback is a promise to pay dollars without saying when. At the time of its issue it meant payment in specie when the government was able; and the people made it able. Now, and ever since January 1, 1879, it has meant payment in gold on demand, with every facility offered to get the specie. The total amount of greenbacks authorized, was four hundred and fifty millions, and part of this was in lieu of demand notes and also a part used as a reserve to pay temporary loans.

The State banks appear once more in the Treasury reports. Mr. Fessenden, then Secretary, in his report of December 6, 1864, says: The necessities of former years have led to many expedients, as is apparent from the diversity of forms which our securities present. As the debt increases from year to year, borrowing becomes more difficult, embarrassed as the country is with two systems of banking and obstructed as the Government is by a currency wholly beyond its control, it is manifest that to push its own circulation far, if at all, beyond its present limit, could only be justified by extreme necessity. He says, the returns on file, show that the whole circulation of the State banks on January 1, 1864, was \$169,916,129. The total amount issued to National banks to Nov. 22, 1864, was \$65,160,210. The diminution of State bank issues deducted from the National bank issues, left an increase of over twenty-

one millions in bank circulation during the year. Mr. Fessenden after stating his necessities, says: Under these circumstances the Secretary thought it advisable in order to meet pressing emergencies to borrow upon bonds, or notes authorized by the various acts referred to, fifty millions of dollars of the banks of the cities of New York, Philadelphia and Boston, and met the representatives of a large number of these institutions in New York. The result proved however that notwithstanding a professed, and as the Secretary was convinced a reasonable desire to aid the Government, these institutions were not able to furnish the assistance required upon terms which under existing provisions of law the Secretary felt authorized to accept.

These were the banks who felt able to manage the whole war debt. They had suspended payment and inflated their suspended paper, and yet were unable to take a loan of fifty millions on any lawful terms. At that time the State and National banks were reaping a profit on their circulation of not less than fourteen millions annually. It was crowding to the wall the Treasury issues. It was choking the channels of circulation to the prejudice of the National cause. Every artifice had been used by the Treasury to keep down inflation by the issue of interest-bearing paper, such as 7 30 notes, six per cent. compound interest notes, certificates for temporary loans and certificates of indebtedness bearing six per cent. The times were critical. Sherman was fighting Johnson among the mountains of Georgia. Grant was fighting Lee on the road to Richmond. Gold in July, 1864 was \$2.85. The price of gold indicated extreme inflation and impending collapse. Now it is plain, that if the suspended bank paper then in circulation had not existed, its place could have been occupied by United States notes and the inflation would have been no greater. This would have put into the hands of the Treasury about two hundred millions of additional funds, and that too without interest. The inflated and suspended bank note paper imperilled the National cause. On September 1, 1864, Sherman took Atlanta. The back of the rebellion was broken none too soon. The nation was fighting for life and was forced to fight on credit, and pay high rates of interest. At the same time these suspended banks were stuffing the volume

of the currency with their irredeemable paper for private gain. Any bank can suspend payment when its interest requires it and feel no shame. But it required the cheek of Judas to do it, and also inflate, in a great national crisis involving the country's fate.

The National banks were an injury instead of a benefit. The bonds required to start them, soon reappeared in the circulation as so much paper money. None existed until 1864. The people took the five hundred million loan of six per cent. bonds in the summer of 1863, at par in paper, equivalent to nearly seventy-two cents in gold. Neither foreign nor home capitalists would buy them at all. After general suspension of specie payments at the end of 1861, with comparatively no specie in the country, how could Mr. Chase, or any one, suppose that national banks could then go into operation and redeem their paper? Besides, the Treasury needed the whole volume of the currency to itself. When a certain amount of greenbacks had been put afloat, then a National bank could be formed and could redeem its issues in greenbacks. But its issues together with those of the State banks helped to stuff the volume of the currency and thereby depreciate the value of United States notes. Until January 1, 1879, National bank notes were redeemed in nothing except greenbacks. The State bank system lived through the war, a fungus and a parasite. A part were finally induced to change over to the National bank system and the remainder were taxed out of existence by a tax sufficient for the purpose first levied in 1866. And this law is still in force in order to prevent the States from tampering with the currency. The national bank system is supposed to stand security for the continuance of this law. The fact is, United States notes are a standing lesson to the people that their own notes are better paper money than any wild cats. Greenbacks are redeemable in gold. National bank notes are theoretically redeemable in silver dollars, but practically and to the ordinary citizen actually irredeemable. Let every one judge whether National banks or any banks of issue give a *quid pro quo* for the profit they realize out of their circulation, and for the injury they do the currency by diluting it. The true bank is a bank of deposit, discount, etc., and not a bank of issue. Every one may con-

sider also, whether the profit on the issue of paper money does not belong to the people, and whether any part of it should be given to private corporations; also, whether the regulation of the currency should be left to be the football of private speculation, or whether the volume of the currency should not be filled from the Treasury alone. After the war was over, why should the people pay high interest on the public debt and continue to nurse the national bank system whose notes were only redeemable in greenbacks? On October 31, 1865, the National bank notes amounted to one hundred and eighty-five millions, the State bank notes to sixty-five millions. In December, 1872, the National bank circulation was nearly three hundred and fifty-four millions; and on November 1, 1876, over three hundred and sixty-seven millions. If their place had been occupied by greenbacks the inflation would have been no greater and the people would have saved annually by their use over twenty-one millions of dollars.

The war was a great drama. Mr. Lincoln was compelled to enter Washington by stealth to become President. The Treasury was empty and bankrupt. The rebel secretary of war under Mr. Buchanan had emptied the Northern armories for the benefit of the South and had located most of the little regular army on the Rio Grande. The banks broke, or laid down, at the beginning of the crisis. But the people proved equal to the occasion. They took the Government paper of all kinds, kept the ranks full of fighting men, stood all the taxation which could be heaped upon them and finally won the fight. Their conduct partakes of the sublime. To the people of the West the advent of the greenback was a great boon. The difference between it and a bank note was the difference between an honest dollar and stumptail. The depreciation caused by an over issue of paper money is to be accounted among the calamities of war. But the depreciation caused by the state bank notes and also by the national bank notes was a calamity which could have been avoided. It was providential that their influence did not shipwreck the national credit. The history of the revolution presents a case quite similar. The Continental money bridged over all the doubtful years of the struggle. But the States must also emit

bills of credit. The Continental Congress could lay no taxes. The currency was swamped. And the cause of liberty was finally saved by foreign financial and material aid. Without continental money the Revolution could not have been carried to the point of foreign recognition. Its value was priceless. It was destroyed by excessive issues of bills of credit emitted by the several states. The subsequent crisis of 1819, 1825 and 1837, each caused by over issues of bank notes, spread nearly equal financial ruin throughout the country, and were wholly unjustifiable.

A nation without money and in financial straits must use and strain its credit if necessary. And State banks which suspended specie payment in December, 1861 and never resumed, and National banks, which never paid specie at all until January 1, 1879, can cast no slur on the irredeemable greenback. In any great war which might arise the national free banking system would prove a dead weight upon the national credit.

In 1865 a great friend of banks, Mr. McCulloch, was Secretary of the Treasury. He had been previously connected with the State Bank of Indiana, and had opposed the national bank system: but as Comptroller of the Currency he had finally become its promoter. In his report as Secretary, of Dec. 4, 1865, he says: "The reasons sometimes urged in favor of the United States notes as a permanent currency are, the saving of interest and their perfect safety and uniform value. The objections to such a policy are that the paper circulation of the country should be flexible, increasing and decreasing according to the requirements of legitimate business, while if furnished by the government it would be quite likely to be governed by the necessities of the Treasury or the interests of parties rather than the demands of commerce and trade. And, after a great deal more to the same effect he was urgent to have power given him to sell six per cent. bonds for the purpose of retiring the greenbacks, and was in fact authorized to retire ten millions within six months ending Oct. 12, 1866, and thereafter at the rate of four millions of dollars per month. At this time when he was so urgent to retire greenbacks there was interest bearing paper of the government outstanding all due within two years amounting to over

twelve hundred millions of dollars, of which eight hundred and thirty millions were notes, bearing seven and three-tenths per cent. interest and over one hundred and thirty millions bearing six per cent. interest then due or payable on ten days' notice. In December 1865 gold was \$1.48½. And there was at the same time sixty-five millions of old State bank issues still afloat. In his anxiety to restore specie payments by retiring greenbacks he forgot these old suspended issues. At all events, they were not mentioned. They belonged probably to the "flexible" part of the currency.

One might infer from the above statement that a national bank, or a bank of issue, after receiving its notes, lays them carefully away in its vaults in order to use them for the public benefit at proper times, in order to make the currency "flexible, increasing and decreasing, etc." The fact is quite the contrary. A bank of issue wants profit and to obtain it must put its notes in circulation. This it does as soon as possible. Any one who returns them is an enemy and means evil to the bank. At the suggestion of Mr. McCulloch the National banks were required to redeem their notes at certain great financial centers. This has been got rid of, and the five per cent. of circulation deposited with the Treasurer is a frivolous substitute, coupled as it is with the condition that at least one thousand dollars in notes shall be presented. If the banks had the public interest at heart they ought to be anxious to redeem their notes in order to have them on hand for the purpose of making the currency "flexible."

The currency for a number of years has consisted of coin, coin certificates, a fixed amount of greenbacks, and a declining amount of national bank notes. Money was never so plenty nor interest so low. Thus experience proves the "elastic" doctrine to be entirely fictitious. In times past when banks of issue controlled the currency, they kept tension enough on the so-called "elasticity" to maintain high rates of interest at all seasons of the year. This is the banking idea of a proper elasticity. Banks can affect the amount of money in circulation by lending a greater or less per cent. of their deposits. The panic of 1873 was brought about by the abuse of this source of elasticity. The thing was overdone and the banks could not pay their depositors and were compelled to suspend.

At that time the currency was redundant; for gold was at a premium of over sixteen per cent. But a great inflation was wanted by some. There is never money enough for bulls on the stock market.

Mr. McCulloch in his report of Dec. 3, 1866, expressed regret that he had not been allowed to redeem greenbacks faster, and said: the increase of national bank circulation had kept pace with the decrease of United States notes, which as legal tender, he called a false and demoralizing standard. He was not unmindful of the saving which resulted to the government by the use of its own currency, but this was more than overcome by the discredit arising from failing to pay the notes according to their tenor and its bad influence on the public morals. The objection to greenbacks on account of their immoral tendency, sounds well, coming from an advocate of State banks which had not redeemed their notes since 1861, and of a National bank system which has never redeemed its notes at all, unless in greenbacks. If he was so mindful of the saving which resulted from the use by the people of their own notes, why not urge the overthrow of all banks of issue. The withdrawal of bank notes would have restored specie payments quite as fast as the withdrawal of greenbacks. He might have been mindful of the saving, etc; but he fell short of being mindful enough. He was more mindful of bank inflation, and less so, of the saving to the people, by the use of their own money. After the floating debt was all funded except greenbacks, that false and demoralizing standard rapidly approximated towards gold. In spite of their demoralizing tendency the people regarded them with favor and finally pursuant to a loud call to that effect it was enacted May 31, 1878, that after the passage of this act, it shall not be lawful for the Secretary of the Treasury or other officer to cancel or retire any more United States notes, and when any are redeemed or received they are to be re-issued and kept in circulation. This left their amount at \$346,681,016.00, which it now is.

After the war the great check on the growth of the national bank system was the resumption of specie payments then looked forward to. And the above issue of United States notes was probably saved because without them the banks

would have been compelled to redeem in gold, or abandon all pretense of redemption.

In conclusion it is insisted, the foregoing establishes

1. That the standard, or money unit, should be single and composed either of gold or silver—preferably of gold.
2. That the present standard is of gold, and no sufficient reason exists to change to one of silver.
3. That the money should consist of coins composed of the same material as the standard (except the small change), coin certificates, and a fixed amount of United States notes.
4. That all bank note issues should be prohibited.

The result of which is, that the money of the United States ought to be

Gold.....	\$911,866,667
Silver dollars.....	60,000,000
Fractional silver coins.....	60,000,000
Minor coins.....	20,000,000
United States notes.....	650,000,000
	\$1,701,866,667

instead of the sundry items given at the outset. Then the currency would be composed of coin and paper as follows:

Gold certificates.....	\$307,265,168
United States notes.....	650,000,000
Specie.....	744,601,499
	\$1,701,866,667

This statement shows that the quantity of United States notes is set very low. For there would be in the Treasury over three hundred millions in gold to answer the gold certificates and one hundred millions held to redeem the greenbacks and say fifty millions more as net money in the Treasury, to meet current demands. This would leave but little over four hundred and fifty millions of gold to be held as reserve by banks and the people. These gold certificates and greenbacks would do the work of the currency as a medium of exchange. Everybody will concede that such paper would be a better medium of